



Setti D. Warren  
Mayor

**City of Newton, Massachusetts**  
Department of Planning and Development  
1000 Commonwealth Avenue Newton, Massachusetts 02459

Telephone  
(617) 796-1120  
Telefax  
(617) 796-1142  
TDD/TTY  
(617) 796-1089  
[www.newtonma.gov](http://www.newtonma.gov)


Candace Havens  
Director

## WORKING SESSION MEMORANDUM

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**DATE:** September 20, 2013

**TO:** Alderman Marcia T. Johnson, Chairman  
Members of the Zoning and Planning Committee

**FROM:** Candace Havens, Director of Planning and Development   
James Freas, Chief Planner, Long-Range Planning

**RE:** #81-13: DIRECTOR OF PLANNING & DEVELOPMENT on behalf of the Newton Housing Partnership requesting consideration of naturally affordable compact housing opportunities in MR1 zones.

**MEETING DATE:** September 23, 2013

**CC:** Board of Aldermen  
Planning and Development Board  
Donnalyn Kahn, City Solicitor

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Can naturally affordable housing, housing that is affordable to families earning the regional median income of about \$100,000, be built in the City of Newton without public subsidy and offer sufficient profit to a developer that one might choose to do so as a practical business decision? As the City of Newton wrestles with the important issue of providing affordable housing, it must recognize that the need is great, the amount of subsidy available extremely limited and therefore the City must rely on the market itself to produce some of this housing. This memo and the attached report, represents the beginning of an exploration of this question analyzing the obstacles to creating naturally affordable housing in Newton and possible solutions.

The issue of affordable housing and housing supply generally is increasingly one of the greatest challenges facing the entire Boston region and is a central concern in Newton. The most recent issue of MassBenchmarks, a journal tracking the Massachusetts economy produced by the University of Massachusetts and the Federal Reserve Bank of Boston warns that "the sustainability of our recovery may be stymied by archaic state land use policies which make it difficult to develop new housing." The

statement echoes that of nearly every analysis of the Boston regional economy that, whether one is looking at the direct impacts on construction job growth or the indirect impacts of increasingly unaffordable housing challenging the economically competitive position of the region, the low rate of housing construction, particularly of multi-family housing, is a serious issue that must be addressed. Locally, the *Newton Comprehensive Plan* calls for the development of additional housing, recognizing that without a greater variety of housing types and without a greater supply of affordable housing, Newton risks becoming a less diverse place and a place where the children and grandchildren of current residents will be unable to afford to live in the future.

The housing issue is itself a challenging one though, particularly for a city like Newton where new growth will come in the form of redevelopment and infill in existing neighborhoods and villages. These types of changes are difficult to adjust to and the community must be engaged in the planning process so that the City can understand the full depth of the issue through dialogue and learning. An engaged community provides guidance to community leaders who ultimately must make the policy decisions so that these leaders can understand the concerns, hopes, and interests of the community with regard to these issues of change. In this process, the City must also reach an understanding of the implications of growth on the City's fiscal position.

Affordable housing itself is difficult to build in the current real estate environment of Newton. There are multiple factors that come into the final cost of a home – land costs, construction costs, quality of materials/construction, borrowing costs, land entitlement costs and others. In Newton, and much of the Boston region, many of these costs are very high, particularly the cost of land and construction. Newton helps to manage these costs for affordable housing developers through a limited supply of subsidy dollars. At the same time, as a result of the City's zoning regulations, there is a very high land entitlement cost, particularly where a special permit is required. In addition, by maintaining low development densities, the City maintains a high cost per housing unit for land.

## **Background**

When the 2010 Zoning Reform Group was analyzing the existing ordinance and developing an understanding of the disconnect between the City's zoning ordinance and the City's *Comprehensive Plan*, the question was raised, could a for-profit builder in Newton develop housing that would be affordable to a family making around \$100,000 a year? Members of the Newton Housing Partnership took up this question, looking at available land, land and development costs, and being mindful of those locations and styles of development that might be compatible with existing community character. The attached "Naturally Affordable Compact Housing " report is the result of that analysis, concluding that so-called naturally affordable housing could be produced in Newton given the right set of circumstances. Critical to reaching that conclusion were a number of necessary changes to the existing zoning ordinance, identified in the report.

## **Next Steps**

The Compact Housing report identifies a number of changes to the Newton Zoning Ordinance as necessary to achieving this goal of creating naturally affordable housing. The central idea is the creation of a defined “Compact Housing” use that would be allowed in the Multi-Residence 1 District (MR-1). One of the more critical changes identified is relief from the special permit requirement for this category of multi-family housing. Instead, the report recommends utilizing the site plan review process. ZAP should consider the benefits and concerns raised by these types of changes and direct staff as to what additional information might be useful.

Ultimately, the problem the proposed compact housing amendment is looking to address is the barriers to the creation of naturally affordable housing inherent to the existing zoning ordinance. There are likely multiple means towards addressing this issue. As has been outlined above, there are very good policy reasons for addressing this issue, but also very real challenges that must be considered and resolved. Fundamentally, the Newton Zoning Ordinance is a 1950s era document and the local and regional land use environment has changed considerably since that time suggesting, as has already been concluded, that it is time for the City to consider substantive zoning reform. The issue raised by this compact housing proposal is an essential one and also a very difficult one and, for those reasons, it is one of the most important issues that must be addressed in the substantive zoning reform process of phase 2.

With regard to the specifics of the compact housing proposal, the Zoning and Planning Committee has the option to continue discussion of this specific proposal, to request more information on the larger policy question of affordable housing and housing supply, and/or to leave the issue for discussion and analysis in the substantive zoning reform effort of Phase 2, with the opportunity for substantial community engagement to further inform the process.

ATTACHMENT A: “Naturally Affordable” Compact Housing

## **“NATURALLY AFFORDABLE” COMPACT HOUSING**

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Newton Housing Partnership Zoning Group<sup>1</sup>

May 8, 2013



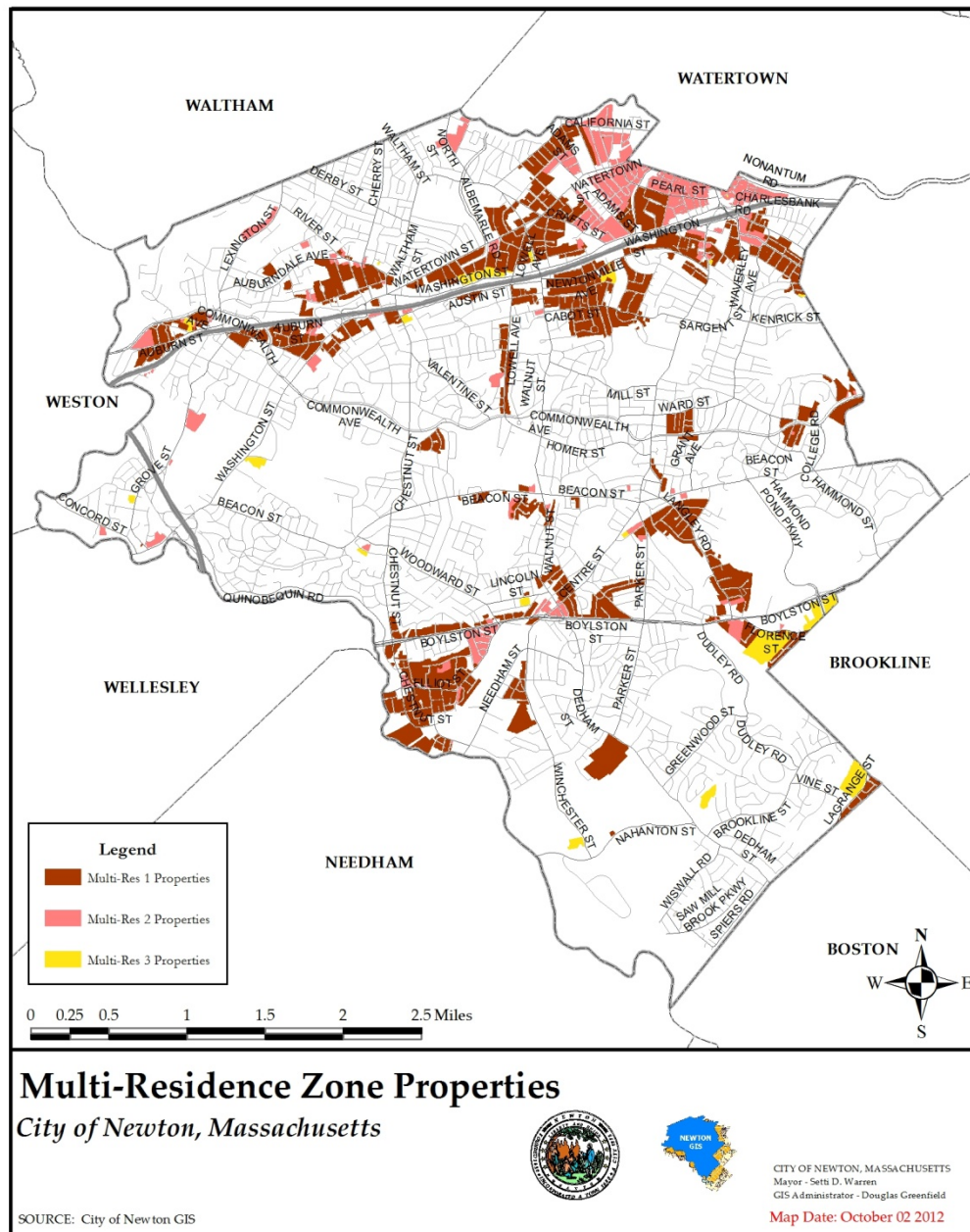
*Cottages on Greene, East Greenwich, RI*

Newton’s Zoning Review Group and others have urged efforts to enable “naturally affordable” housing in Newton, that is, housing that is relatively affordable without public subsidies or deed restrictions. In response, the Newton Housing Partnership’s Zoning Group is exploring zoning changes to enable scattered small housing developments compatible with their context and priced substantially lower than is common in Newton without subsidies. It appears that yes, naturally affordable housing could be feasible though the likely amount of such housing being built is modest.

Assisted greatly by the Information Technology Department and by the Assessor’s materials, we reviewed land prices, contextual compatibility, and zoning in relation to Compact Housing. Those studies made clear that by far the largest opportunity for such housing would be in the City’s Multi-family 1 district (MR-1: see map), which is relatively extensive, and has many areas where existing housing is at densities similar to that necessary to achieve “natural affordability.”

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<sup>1</sup> Judy Jacobsen (Chair), Josephine McNeil, Sheila Ardery, John Wilson, Philip Herr



The areas zoned for still-higher densities, such as MR-2 and business-zoned areas, offer few if any locations not preempted by existing development or by land prices. Within lower-density areas zoned for single-family development the densities necessary to achieve “natural affordability” would rarely be compatible with the existing built context, so those areas were not studied, although it is possible that locational exceptions there might be found where higher density could be created without resulting in neighborhood incompatibility.

## **THE “COMPACT HOUSING” FINANCIAL WINDOW**

None of the best of the sites we identified for “Compact Housing” housing were currently for sale, though a few of them had recently changed hands, indicating some degree of availability. We made a sketch design of Compact Housing on two abutting feasible sites to get an initial sense of the likely barriers presented by existing zoning, especially in the MR-1 district, but also in MR-2 and B-1, B-2 and B-3 districts.

Since the test site was surrounded with, by Newton norms, relatively small dwellings, our test design used a tight collection of similarly small structures, each having from one to three housing units, so that the development would have scale compatible with its neighbors. The configuration was not unlike some recent “cottage developments” that have gained positive attention nationally, one an affordable development in East Greenwich, RI and the other a market rate one in Concord, MA. With that configuration and relatively small floor areas per unit (averaging under 900 sq. ft. per unit), it appears that market-rate units would be profitable for developers and affordable to folks having annual incomes just above the Boston area median of about \$100,000, with sales prices averaging a bit under \$350,000. That financial analysis reflects that Newton’s inclusionary zoning would require 15% of the units to be priced still lower. Rental outcomes were similar: rental units, too, might be affordable to households with an income of 100 – 120% of the area median income, although that “cottage” style of units is better suited for ownership.

A price of around \$350,000 is well below that of new market-rate housing in Newton. However, to meet that cost level, the units are small, don’t have the expensive features common in the Newton market, and are not in the highest price locations in the City. That seems about right for the intended market: first-time homebuyers and empty nesters with incomes of about \$100,000. The units would likely attract purchasers or tenants, but not in huge numbers, so that deed restrictions should not be needed to assure that the units would remain relatively low-priced for Newton. They would be “naturally affordable:” just attractive enough to succeed in the market that they are intended to serve.

## **COMPACT HOUSING’S NEEDED ZONING ENHANCEMENTS**

The design we used to estimate costs could not be developed under Newton’s current zoning. In some cases the needed departures from zoning are not individually crippling, but unless waived, collectively they would make achieving the goal of building compact naturally affordable housing very unlikely. Adding further requirements beyond those commonly required, such as rezoning of the site in order to build in this alternative way, would make it yet more unlikely to attract developers. However, a firm but reasonable

set of guidance rules that assure compatibility, administered through site plan review without need for a special permit, could make Compact Housing attractive to both developers and neighbors. The approval process would then be relatively simple, much like that of building one- and two-family dwellings.

“Compact Housing” could be defined as a category of use, initially allowed only within the MR-1 district, where the great majority of suitable sites appear to exist. It would be allowable by right for developments having no more than, perhaps, 20 dwelling units. Controls could assure that the development will be visually and functionally consistent with its context. Review procedures would be crafted to give neighbors opportunities to view and express views on the consistency of development that is being proposed with the design and other guidance materials that are applicable for it.

Given that basic approach, these are the departures from current MR-1 requirements that would be needed to enable Compact Housing to be developed.

### **Allowable category of use**

In the MR-1 district the only form of multi-family dwelling allowed is “attached dwellings,” which typically are “townhouses,” a configuration not always appropriate for the housing being contemplated. A broader set of dwelling types for Compact Housing in the MR-1 district would be essential, perhaps as simple as allowing multi-family dwellings, as allowed in MR-2 and 3.

### **Minimum lot area per dwelling unit**

The MR-1 district requires 4,000 square feet of lot area per dwelling unit. With smaller dwelling units a smaller lot area per unit would be comparable. Our test sketches averaged lot area of 3,200 square feet per dwelling unit: perhaps the rule for Compact Housing could be 3,000 square feet per unit, which is still in scale with densities commonly found in that district.

### **Minimum front, side and rear yard setbacks**

The MR-1 district requires 25 feet for front, side and rear setbacks for attached dwellings, which in many parts of the MR-1 district are substantially larger yards than those existing: they require contextual inconsistency, commonly leading to costly appeals for relief. In contrast, Business district setback rules generally are contextual, typically being the smaller of the average of abutting lots or half of the proposed building height. Alternative rules similar to those in the Business districts would allow and assure contextual consistency for Compact Housing.



## **Maximum floor area ratio**

The ratio of floor area to lot area is not regulated in the MR-1 district except for one- and two-family dwellings. To allay concerns about Compact Housing resulting in structures excessively large for the lot, and to avoid having to establish a maximum allowable floor area per dwelling unit, which might raise both legal and administrative concerns, an FAR limit of 0.38 might be adopted for Compact Housing in that district, which is the same as the most restrictive for single- and two-family dwellings in the same district.

## **Parking rules**

A number of the City's parking rules are too space demanding for Compact Housing to easily meet. Those parking rules are likely to be reconsidered City-wide as part of its planned zoning reform efforts. Through special permits the Aldermen commonly allow departures from the current rules without compromising function or safety. Enabling the same relief for this use within site plan review rather than requiring a special permit would reduce process costs for both applicants and the City.

## **CONCLUSIONS**

Adopting zoning for Compact Housing in Newton as a form of "naturally affordable" housing could serve a number of purposes.

- ❖ If well crafted, it could make some new housing available in Newton for those households which can't be served by the market-rate housing now being developed in this City, and which are not income-eligible for subsidized housing.
- ❖ It could do that while minimizing the demands upon City administrators both in initial approval and, since deed restrictions won't be needed (except for the inclusionary units), in follow-on monitoring requirements.
- ❖ It could demonstrate how modest amounts of growth within our City's neighborhoods can take place with a now-unusual degree of compatibility with both the physical and the social context.

In response to this proposal, on behalf of the Housing Partnership Candace Havens has docketed #81-13 to explore naturally affordable housing in the MR1 Zoning District.